

# QUARTERLY REPORT

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Quarter Ended March 31, 2004

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

# BALANCE SHEETS

AS OF MARCH 31, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents. ....	\$ 17,981	\$ 20,786
2	Short-term investments. ....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2004, \$ 4,702 ; 2003, \$ 7,701 ). .... NOTE 2. ....	8,036	6,359
4	Inventories. ....	1,191	1,179
5	Prepaid expenses and other current assets. ....	1,561	1,328
6	Total current assets. ....	28,769	29,652
7	Investments, Advances, and Receivables. .... NOTE 3. ....	13,771	12,588
8	Property And Equipment - Gross. .... NOTE 4. ....	556,577	548,406
9	Less: Accumulated Depreciation/Amortization. .... NOTES 1 & 4. ....	(271,265)	(255,231)
10	Property And Equipment - Net. ....	285,312	293,175
11	Other Assets. .... NOTES 1 & 5. ....	77,001	77,001
12	Total Assets. ....	\$ 404,853	\$ 412,416
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. ....	\$ 1,677	\$ 2,509
14	Notes payable. ....	-	-
	Current portion of long-term debt. ....		
15	Due to affiliates. ....	-	-
16	Other. ....	-	-
17	Income taxes payable and accrued. ....	-	-
18	Other accrued expenses. .... NOTE 6. ....	20,377	20,632
19	Other current liabilities. .... NOTE 7. ....	15,103	10,516
20	Total current liabilities. ....	37,157	33,657
	Long-Term Debt:		
21	Due to affiliates. .... NOTE 8. ....	200,000	200,000
22	Other. ....	-	-
23	Deferred Credits. ....	-	-
24	Other Liabilities. .... NOTE 9. ....	98,103	117,100
25	Commitments And Contingencies. .... NOTE 1. ....	-	-
26	Total Liabilities. ....	335,260	350,757
27	Stockholders', Partners', or Proprietor's Equity. .... NOTE 10. ....	69,593	61,659
28	Total Liabilities And Equity. ....	\$ 404,853	\$ 412,416

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenues:		
1	Casino. ....	\$ 70,045	\$ 72,308
2	Rooms. ....	5,043	5,181
3	Food and beverage. ....	9,205	9,589
4	Other. ....	3,049	2,255
5	Total Revenues. ....	87,342	89,333
6	Less: Promotional allowances. ....	19,675	20,232
7	Net Revenues. ....	67,667	69,101
	Costs And Expenses:		
8	Cost of goods and services. ....	45,459	45,249
9	Selling, general, and administrative. ....	11,574	10,513
10	Provision for doubtful accounts. ....	(79)	336
11	Total Costs and Expenses. ....	56,954	56,098
12	Gross Operating Profit. ....	10,713	13,003
13	Depreciation and Amortization. ....	4,323	4,815
	Charges from affiliates other than interest:		
14	Management fees. .... NOTE 11. ....	2,277	2,359
15	Other. ....	-	-
16	Income (Loss) From Operations. ....	4,113	5,829
	Other Income (Expenses):		
17	Interest (expense)-affiliates. .... NOTE 8. ....	(4,490)	(4,463)
18	Interest (expense)-external. ....	-	-
19	Investment alternative tax and related income (expense) - net. ....	(406)	(511)
20	Nonoperating income (expense) - net. .... NOTE 12. ....	87	79
21	Total Other Income (Expenses). ....	(4,809)	(4,895)
22	Income (Loss) Before Income Taxes And Extraordinary Items. ....	(696)	934
23	Provision (credit) for income taxes. .... NOTE 1. ....	(85)	391
24	Income (Loss) Before Extraordinary Items. ....	(611)	543
25	Extraordinary items (net of income taxes - 20__, \$ ) ....	-	-
26	Net Income (Loss). ....	\$ (611)	\$ 543

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND THE THREE MONTHS ENDED MARCH 31, 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	Retained Earnings (Accumulated) (Deficit) (i)	Total Shareholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)			
1	Balance, December 31, 2002.....	3,002,510	\$ 30		\$	\$ 123,421	\$ (62,335)	\$ 61,116
2	Net Income (Loss) - 2003.....						9,088	9,088
3	Contribution to Paid-in Capital.....							
4	Dividends.....							
5	Prior Period Adjustments.....							
6								
7								
8								
9								
10	Balance, December 31, 2003.....	3,002,510	\$ 30		\$	\$ 123,421	\$ (53,247)	\$ 70,204
11	Net Income (Loss) - 2004.....						(611)	(611)
12	Contribution to Paid-in Capital.....							
13	Dividends.....							
14	Prior Period Adjustments.....							
15								
16								
17								
18								
19	Balance, March 31, 2004.....	3,002,510	\$ 30		\$	\$ 123,421	\$ (53,858)	\$ 69,593

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
1	Net Cash Provided (Used) By Operating Activities. ....	\$ 1,548	\$ 8,166
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities. ....	-	-
3	Proceeds from the sale of short-term investment securities. ....	-	-
4	Cash outflows for property and equipment. ....	(1,268)	(325)
5	Proceeds from disposition of property and equipment. ....	3	5
6	Purchase of casino reinvestment obligations. ....	(754)	(883)
7	Purchase of other investments and loans/advances made. ....	(16)	-
8	Proceeds from disposal of investment and collection of advances and long-term receivables. ....	114	-
9	Cash outflows to acquire business entities. ....	-	-
10	Increase in construction - related liabilities. ....	-	-
11		-	-
12	Net Cash Provided (Used) By Investing Activities. ....	(1,921)	(1,203)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt. ....	-	-
14	Payments to settle short-term debt. ....	-	-
15	Cash proceeds from issuance of long-term debt. ....	-	-
16	Costs of issuing debt. ....	-	-
17	Payments to settle long-term debt. ....	-	-
18	Cash proceeds from issuing stock or capital contribution. ....	-	-
19	Purchases of treasury stock. ....	-	-
20	Payments of dividends or capital withdrawals. ....	-	-
21	Change in payable to affiliate. ....	(3,866)	(5,686)
22	Debt retirement costs. ....	-	-
23	Net Cash Provided (Used) By Financing Activities. ....	(3,866)	(5,686)
24	Net Increase (Decrease) In Cash And Cash Equivalents. ....	(4,239)	1,277
25	Cash And Cash Equivalents At Beginning Of Year. ....	22,220	19,509
26	Cash And Cash Equivalents At End Of Year. ....	\$ 17,981	\$ 20,786

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized) .....	\$ 4,490	\$ 4,463
28	Income taxes paid (refunded) - net .....	\$ (85)	\$ 391

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Net Cash Flows From Operating Activities:		
29	Net income (loss) . . . . .	\$ (611)	\$ 543
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment. . . . .	4,323	4,815
31	Amortization of other assets. . . . .	-	-
32	Amortization of debt discount or premium. . . . .	-	-
33	Deferred income taxes - current. . . . .	-	-
34	Deferred income taxes - noncurrent. . . . .	-	-
35	(Gain) loss on disposition of property and equipment. . . . .	(3)	(5)
36	(Gain) loss on casino reinvestment obligations. . . . .	406	511
37	(Gain) loss from other investment activities. . . . .	-	-
38	Net (increase) decrease in receivables and patrons' checks. . . . .	808	2,441
39	Net (increase) decrease in inventories. . . . .	212	261
40	Net (increase) decrease in other current assets. . . . .	352	(71)
41	Net (increase) decrease in other assets. . . . .	-	-
42	Net increase (decrease) in accounts payables. . . . .	(2,542)	(2,432)
43	Net increase (decrease) in other current liabilities excluding debt. . . . .	(1,262)	2,139
44	Net increase (decrease) in other noncurrent liabilities excluding debt. . . . .	(135)	(36)
45	Loss on extinguishment of debt, net of tax benefit of \$. . . . .	-	-
46	Amortization of CRDA assets . . . . .	-	-
47	Net Cash Provided (Used) By Operating Activities. . . . .	\$ 1,548	\$ 8,166

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment. . . . .	\$ 1,268	\$ 325
49	Less: Capital lease obligations incurred. . . . .	-	-
50	Cash Outflows For Property And Equipment. . . . .	\$ 1,268	\$ 325
	Acquisition Of Business Entities:		
51	Property and equipment acquired. . . . .	\$ -	\$ -
52	Goodwill acquired. . . . .	-	-
53	Net assets acquired other than cash, goodwill, and property and equipment. . . . .	-	-
54	Long-term debt assumed. . . . .	-	-
55	Issuance of stock or capital invested. . . . .	-	-
56	Cash Outflows To Acquire Business Entities. . . . .	\$ -	\$ -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions. . . . .	\$ -	\$ -
58	Less: Issuances to settle long-term debt. . . . .	-	-
59	Consideration in acquisition of business entities. . . . .	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions. . . . .	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED MARCH 31, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	89,998	\$ 3,360		\$
2	Food	365,609	4,463		
3	Beverage	776,102	2,018		
4	Travel			20,603	569
5	Bus Program Cash	137,013	2,392		
6	Other Cash Complimentaries	169,404	5,874		
7	Entertainment	25,037	616	1,774	222
8	Retail & Non-Cash Gifts	12,593	865	2,661	1,602
9	Parking				
10	Other *	2,641	87	48,854	432
11	Total	1,578,397	\$ 19,675	73,892	\$ 2,825

\* No item in this category exceeds 5%.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of GNOC, Corp., a New Jersey corporation (the "Company"). The Company is a wholly owned subsidiary of Bally's Park Place, Inc., which owns and operates the casino hotel resort in Atlantic City, New Jersey known as Bally's Atlantic City ("Bally's Atlantic City"), which is a wholly owned subsidiary of Caesars Entertainment, Inc. ("CEI"). In early January 2004, CEI changed its name from Park Place Entertainment to Caesars Entertainment. The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as the "Atlantic City Hilton." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2003.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at March 31, 2004 and 2003, and its statements of income for the three months ended March 31, 2004 and 2003 and its statements of cash flows for the three months ended March 31, 2004 and 2003. All such adjustments were of a normal recurring nature.

**Seasonal factors**

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended March 31, 2004 and 2003 are not necessarily indicative of the results of operations for the full year.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The statement of income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.



**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

**Property and equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$4,323 and \$4,815 for the three months ended March 31, 2004 and 2003, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

**Costs in excess of acquired assets**

In 1987, Bally Entertainment Corporation (formerly the parent of the Company) acquired the Company, other related properties and real estate leases in a transaction which was accounted for as a purchase.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). Pursuant to SFAS 142, goodwill amortization ceased on January 1, 2002. Prior to the adoption of SFAS 142, the excess of the total acquisition cost and debt assumed over the fair value of net assets acquired (goodwill) had been amortized on the straight-line method over forty years.

**Connection Card Program**

During the 2nd quarter of 2003, the Company, along with its CEI Atlantic City affiliates, implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion in accordance with the rules of the program at any CEI casino in the United States. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Fair values of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at March 31, 2004 and 2003.

**Accounting Pronouncements**

In November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Recent tax legislation**

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentarys, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

An affiliate of the Company, Boardwalk Regency Corporation ("Caesars Atlantic City") has started construction of a new parking garage and has entered into an agreement with Pier Developers, Inc. for the renovation of the Ocean One Shopping Mall. The Company, Caesars Atlantic City and Bally's Atlantic City entered into a credit agreement (the "Credit Agreement") with the CRDA to partially finance the construction of these projects. The Credit Agreement provides for funding from the CRDA for qualified development costs incurred. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company and its affiliates' investment obligations.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to CEI on a daily basis. CEI provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other CEI affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. In addition, the Company leases land from Bally's Atlantic City.

**GNOG, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

Beginning with the first quarter of 2004, the Company was allocated from CEI certain expenses, such as Information Technology, Internal Audit and Risk Management, which historically were considered corporate expenses. These expenses are allocated to the Company using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

**Advertising and Marketing Fee**

Hilton Hotels Corporation charges the Company for certain hotel reservation services, and advertising and marketing support in accordance with the fees established for participation in the Hilton Honors Program, as well as a national and regional group advertising and sales promotions service fee equal to 1% of net room revenues.

**NOTE 2 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of March 31 consist of the following:

	<u>2004</u>	<u>2003</u>
Casino receivables (net of allowance for doubtful accounts – 2004, \$4,453; 2003, \$7,486)	\$ 5,907	\$ 4,272
Other (net of allowance for doubtful accounts – 2004, \$249; 2003, \$215)	1,550	1,592
Due from affiliates	<u>579</u>	<u>495</u>
	<u>\$ 8,036</u>	<u>\$ 6,359</u>

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables consist of funds invested with the CRDA, net of related valuation reserves of \$7,663 and \$6,750 at March 31, 2004 and 2003, respectively.

The Company, Bally's Atlantic City and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and Bally's Atlantic City, resulting in a long-term payable to Bally's Atlantic City (See Note 9). The investment agreement provides an investment plan for the use of certain current and future CRDA funds. These agreements have accelerated the funding of credits due the Company under the aforementioned credit agreement.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of March 31 consist of the following:

	<u>2004</u>	<u>2003</u>
Land	\$ 66,655	\$ 66,655
Buildings and improvements	317,220	314,380
Furniture, fixtures and equipment	169,836	163,491
Construction in progress	<u>2,866</u>	<u>3,880</u>
	556,577	548,406
Less accumulated depreciation and amortization	<u>(271,265)</u>	<u>(255,231)</u>
	<u>\$ 285,312</u>	<u>\$ 293,175</u>

**NOTE 5 - OTHER ASSETS**

Other assets as of March 31 consist of the following:

	<u>2004</u>	<u>2003</u>
Cost in excess of acquired assets, less accumulated amortization of \$44,637	\$ 76,839	\$ 76,839
Other	<u>162</u>	<u>162</u>
	<u>\$ 77,001</u>	<u>\$ 77,001</u>

**NOTE 6 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of March 31 consist of the following:

	<u>2004</u>	<u>2003</u>
Accrued payroll and benefits	\$12,275	\$10,994
Insurance claims	2,667	5,522
Other	<u>5,435</u>	<u>4,116</u>
	<u>\$20,377</u>	<u>\$20,632</u>

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 7 - OTHER CURRENT LIABILITIES**

Other current liabilities as of March 31 consist of the following:

	<u>2004</u>	<u>2003</u>
Due to Bally's Atlantic City	\$ 2,524	\$ 2,285
Due to Caesars World Merchandising, Inc.	6,113	3,847
Due to affiliates-other	1,115	1,092
Unredeemed slot promotions liability	1,987	1,987
Unredeemed chip and token liability	531	637
Connection Card liability	2,096	-
Other	<u>737</u>	<u>668</u>
	<u>\$15,103</u>	<u>\$10,516</u>

**NOTE 8 - LONG-TERM DEBT - DUE TO AFFILIATES**

Long-term debt - due to affiliates as of March 31 consist of the following:

	<u>2004</u>	<u>2003</u>
9% Note payable to Caesars Entertainment Finance Corporation due January 1, 2009	<u>\$200,000</u>	<u>\$200,000</u>

In January 1999, the Company declared a \$200,000 distribution payable in the form of a note payable to Bally's Atlantic City. Bally's Atlantic City then immediately assigned the \$200,000 note payable to CEI. On July 1, 2000, CEI assigned the \$200,000 note payable to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation ("CEFC"). The note payable bears interest at a rate of 9% per annum, payable on the last business day of each quarter.

**NOTE 9 - OTHER LIABILITIES**

Other liabilities as of March 31 consist of the following:

	<u>2004</u>	<u>2003</u>
Due to CEI	\$ 98,034	\$116,550
Due to Bally's Atlantic City (See Note 3)	<u>69</u>	<u>550</u>
	<u>\$ 98,103</u>	<u>\$117,100</u>

Due to CEI consists of an unsecured, non-interest bearing intercompany account.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 10 - STOCKHOLDER'S EQUITY**

At March 31, 2004 and 2003, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,510 were issued and outstanding.

**NOTE 11 - CHARGES FROM AFFILIATES - MANAGEMENT FEE**

The Company and CEI have entered into an administrative services and management agreement. Under the agreement, CEI provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays CEI a monthly management fee equal to three percent of revenues, as defined.

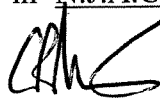
**NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended March 31 consists of the following:

	<u>2004</u>	<u>2003</u>
Interest income	\$ 84	\$ 74
Gain on disposal of equipment	<u>3</u>	<u>5</u>
	<u>\$ 87</u>	<u>\$ 79</u>

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



\_\_\_\_\_  
Signature

Assistant Vice President/Controller  
Title

006243-11  
License Number

On Behalf of:

GNOC, Corp. (Atlantic City Hilton)  
Casino License